

Message Text

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ORIGIN EUR-12

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L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 NEA-10 ITC-01 CU-02 TRSE-00 ACDA-07 IO-13

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TO AMEMBASSY BONN PRIORITY

AMEMBASSY BELGRADE PRIORITY

INFO AMEMBASSY PARIS

USMISSION NATO

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY BERLIN

USMISSION USBERLIN

AMEMBASSY BRUSSELS

C O N F I D E N T I A L STATE 149820

BELGRADE FOR US DEL CSCE; BRUSSELS FOR USEEC

E.O. 11652: GDS

TAGS: PFOR, GW, US, CSCE

SUBJECT: FRG AMBASSADOR'S JUNE 27 CALL ON ASSISTANT
SECRETARY VEST

1. SUMMARY. IN THE COURSE OF A LENGTHY DISCUSSION
BETWEEN AMBASSADOR BERNDT VON STADEN AND EUR ASSISTANT
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SECRETARY GEORGE VEST ON JUNE 27, STADEN MADE AN
INFORMAL DEMARCHE ON TWO ASPECTS OF THE CURRENT BELGRADE
CSCE SESSION. HE ALSO RAISED SEVERAL ECONOMIC AND
TRADE ISSUES WHICH SHOULD BE DISCUSSED DURING
CHANCELLOR SCHMIDT'S UPCOMING JULY 13-15 VISIT TO
WASHINGTON. IN THIS CONNECTION, STADEN UNDERLINED FRG
SENSITIVITY OVER A POSSIBLE RESUMPTION OF PUBLIC USG

CRITICISM OF FRG REFLATION POLICY. END SUMMARY.

2. CSCE.

A. AMBASSADOR VON STADEN SAID HE HAD BEEN INSTRUCTED
(AFTER TALKING ON THE PHONE WITH KLAUS BLECH AND

MEYER-LANDRUT IN BONN) TO RAISE THE DANGER THE FRG
PERCEIVES IN THE WEST'S DRIFTING APART ON PROCEDURE
AND STRATEGY AT BELGRADE. THE FRG WAS QUITE UPSET ABOUT
FRENCH ENDORSEMENT OF THE NEUTRAL PROPOSAL FOR AN
AGENDA ITEM ON A REVIEW OF IMPLEMENTATION AND NEW
PROPOSALS. STADEN SAID THE FRG WILL NOT ACCEPT EVEN

CONSENSUS ENDORSEMENT OF THIS, AND SAID THE GERMANS WERE
RAISING IN PARIS AT A VERY HIGH LEVEL THE CONSEQUENCES
OF WHAT DAMAGE COULD BE DONE TO THE WESTERN POSITION BY
ALLIES (IN THIS CASE THE FRENCH) GOING OFF ON THEIR OWN.
WHEN ASSISTANT SECRETARY VEST ASKED WHAT WENT WRONG WITH
EC COORDINATION IN BELGRADE, STADEN TERMED THE FRENCH
ACTION A COMPLETE SURPRISE, OCCURRING WITHOUT PRIOR
CONSULTATION. VEST SAID WE HOPE FOR MAXIMUM COHESION
AMONG THE ALLIES AND WOULD TAKE NOTE OF STADEN'S RAISING
THE ISSUE;

B. STADEN SAID HE WAS ALSO INSTRUCTED TO MENTION WHAT
THE FRG CONSIDERED A VERY FEEBLE WESTERN RESPONSE TO
THE ATTACK BY SOVIET REPRESENTATIVE VORONTSOV, NOTING
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THAT ONLY THE SWISS BACKED UP FRG REPRESENTATIVE
VON GROLL AT THE SESSION. HE SAID THE FRG BELIEVES IT IS
NOT SUFFICIENT FOR THE US, UK AND OTHERS TO TALK TO
THE SOVIETS OUTSIDE THE MEETING WHEN SUCH A HARSH ATTACK
IS LAUNCHED. THE FRG HOPED THAT IN THE FUTURE THE US
WOULD SEE ITS WAY CLEAR TO SPEAK OUT IN THE COURSE OF
THE MEETING EVEN IF FOR OBVIOUS REASONS WE DO NOT
WISH TO BE THE FIRST.

3. ECONOMIC AND TRADE MATTERS. IN THE COURSE OF
DISCUSSING TOPICS AND POINTS OF FOCUS FOR THE UPCOMING
SCHMIDT VISIT, STADEN OPINED CANDIDLY THAT ON THE BASIS
OF WHAT HE WAS READING AND HEARING FROM BONN, ECONOMIC/
TRADE ISSUES MIGHT WELL BE IN THE FOREFRONT. STADEN
WAS THINKING OF ASKING SCHMIDT IF HE WOULD LIKE TO HAVE
THE TYPE OF US-GERMAN ECONOMIC BRAINSTORMING SESSION
WHICH OCCURRED AT BLAIR HOUSE IN DECEMBER 1974, WHEN
SECRETARY SIMON, GEORGE SHULTZ, CEA REPRESENTATIVES AND
OTHERS WERE PRESENT ON THE US SIDE. VEST AND STADEN
AGREED THAT THERE IS A NEED FOR A CLEAR FOCUS ON SUCH
ISSUES, IN ORDER TO AVOID THEIR HAVING A NEGATIVE
EFFECT ON OUR RELATIONS. STADEN WAS CERTAIN THAT

SCHMIDT WOULD WISH TO TALK TO THE PRESIDENT ABOUT:

A. THE UNITED STATES STEEL CASE AGAINST THE EC'S
VALUE-ADDED TAX (VAT) IS SEEN BY THE FRG AS DRIFTING
IN THE DIRECTION OF A SERIOUS US/EC CLASH, SHOULD INTER
ALIA THE US COURTS AGREE THAT THE VAT REFUND ON EXPORTS
IS A FORM OF SUBSIDY AND SUBJECT TO US COUNTERVAILING
DUTIES;

B. SECRETARY BLUMENTHAL'S REMARKS AT THE END OF LAST
WEEK'S OECD SESSION. STADEN SAID THERE WAS STILL GREAT
FRG SENSITIVITY OVER ANY PUBLIC USG CRITICISM OF FRG
ECONOMIC POLICY. THIS WAS AN ISSUE WHICH COULD BE
ADDRESSED PRIVATELY DURING THE SCHMIDT VISIT IF
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THERE WAS ANY DISSATISFACTION ON THE USG SIDE;

C. AIRBUS SALES: THE AMBASSADOR STRESSED THAT US
COMPONENTS, MAINLY THE ENGINE, MAKE UP 30 PERCENT OF
THE AIRBUS. PRESENTLY A CONTRACT IS BEING WORKED OUT
WITH EASTERN AIRLINES TO EMPLOY THE AIRBUS ON A TRIAL

BASIS BETWEEN NEW YORK CITY AND MIAMI. IT SEEMED THAT
THE ITC WAS ALREADY INVOLVED IN THE MATTER. WITHOUT
GOING INTO ANY FURTHER DETAIL, STADEN SAID THE FRG WOULD
BE VERY RELUCTANT TO SEE THE AIRBUS DEVELOP INTO A
CONTROVERSY ALONG THE LINES OF EITHER THE CONCORDE OR
LEOPARD TANK ISSUE. HE HAD NOT BEEN INSTRUCTED TO MAKE
A DEMARCHE ON THE ISSUE, BUT IT IS AN ISSUE WHICH BONN
BELIEVES SHOULD BE WATCHED CAREFULLY BY THE USG. VANCE

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